

**Arizona Nonresident and Out-of-State Partner's
Share of Income and Deductions**

1998

FOR CALENDAR YEAR 1998 OR FISCAL YEAR

CHECK ONE	
Original <input type="checkbox"/>	Amended <input type="checkbox"/>

BEGINNING _____, 19_____, AND ENDING _____, 19_____.

Partner's identifying number	Partnership's identifying number
Partner's name, address, and ZIP code	Partnership's name, address, and ZIP

Partner Information:	Partner's percentage of:	Before decrease or termination	End of year
	Profit sharing	%	%
	Loss sharing	%	%
	Ownership capital	%	%
	Type of partner (nonresident individual, trust, corporation, etc.) _____		

NOTE: ALL CORPORATE PARTNERS MUST USE THIS SCHEDULE.

Distributive Share Items From Federal Form 1065 Schedule K-1		1 Distributive Share Amount	2 Arizona Apportionment Ratio	3 Arizona Source Income	Form 140NR Filers Enter the Amount in Column 3 on:
1	Ordinary income (loss) from trade or business activities				
2	Net income (loss) from rental real estate activities				
3	Net income (loss) from other rental activities				
4	Total - Add lines 1 through 3				Line B10
5	Interest				Line B5
6	Dividends				Line B6
7	Royalties				Line B10
8	Net short-term capital gain (loss)				Line B9
9	Net long-term capital gain (loss)				Line B9
10	Other				Line B11
11	Guaranteed payments				
12	Net IRC Section 1231 gain (loss)				Line B9
13	Other income				Line B11
14	IRC Section 179 expense				Line B10
15	Adjustment to Arizona basis				Line C18 or D29

NOTE: Corporate partners see Form 120 instructions for information on reporting the amount from line 15.

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ARIZONA FORM
165
Schedule K-1(NR)

Instructions for Individuals and Fiduciaries

Column 3 is your Arizona source income. Nonresident individuals should report the amounts in column 3 on the Form 140NR line numbers indicated on the Schedule K-1(NR). Nonresident fiduciaries should add lines 4 through 13, column 3, and enter the total on Arizona Form 141, line 7.

However, if your Arizona Form 165 Schedule K-1(NR) shows a loss, you may only claim such losses on your Arizona nonresident return to the extent that such losses are included in your federal adjusted gross income (individuals) or federal taxable income (fiduciaries). Therefore, if the loss is considered to be a passive activity loss for federal purposes, the loss will likewise be considered to be a passive activity loss for Arizona purposes.

If you have an Arizona source passive activity partnership loss, you would not necessarily begin the Arizona return with the amounts shown in column 3 of your Arizona Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on your Arizona Schedule K-1(NR) has been limited on your federal return because of the federal passive activity loss rules.

The amount of passive activity loss which is derived from Arizona sources is the amount of the passive activity loss which will be allowed on the Arizona return. Therefore, any portion of the passive activity loss which is not allowed on the federal return due to the passive activity loss limitations will likewise be limited on the Arizona return. That portion of the passive activity loss derived from Arizona sources which is required to be carried forward for federal purposes will similarly be carried forward for Arizona purposes.

Note: The amount of Internal Revenue Code § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.

Line 15 -

Line 15 reflects the amount of partnership income which must be adjusted to determine the difference between Internal Revenue Code § 702(a)(8) and ARS § 43-1401.2. If the amount on line 15 is a positive number, individual partners should enter this amount as an "other addition to income" on Form 140NR, line C18. Fiduciaries should enter a positive amount on line 15 as an "other addition" on Arizona Form 141, page 1, line 8(f). If the amount on line 15 is a negative number, individual partners should enter this amount as an "other subtraction from income" on Form 140NR, line D29. Fiduciaries should enter a negative amount on line 15 as an "other subtraction" on Arizona Form 141, page 1, line 11(g).

Instructions for Corporate Partners

Corporate partners should report the amount on line 15 of the Schedule K-1(NR) according to the instructions in Arizona Form 120.